

# SENATE BILL REPORT

## SHB 1225

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As Reported by Senate Committee On:  
Transportation, March 23, 2009

**Title:** An act relating to the effect of special fuel taxes on publicly owned or operated urban passenger transportation systems.

**Brief Description:** Clarifying the effect of special fuel taxes on publicly owned or operated urban passenger transportation systems.

**Sponsors:** House Committee on Transportation (originally sponsored by Representatives Liias, Rodne, Uptegrove, Roach, Simpson and Rolfes).

**Brief History:** Passed House: 3/03/09, 69-28.

**Committee Activity:** Transportation: 3/19/09, 3/23/09 [DPA].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Swecker, Ranking Minority Member; Becker, Berkey, Delvin, Eide, Jarrett, Kastama, Kauffman, Kilmer, King, Ranker and Sheldon.

**Staff:** Wendy Malkin (786-7434)

**Background:** Vehicle fuels are taxed under the Motor Vehicle Fuel Tax Act or the Special Fuel Tax Act. The rate for both the motor vehicle and special fuel tax is 37.5 cents per gallon. The special fuel tax applies to all combustible gases and liquids suitable for generating power to propel motor vehicles, except gasoline. Fuels subject to the special fuel tax include diesel, natural gas, and propane.

Several categories of uses are exempt from the special fuel tax, including use of special fuel for street and highway construction and maintenance purposes in government-owned or operated motor vehicles or in publicly-owned fire fighting equipment.

In addition, urban passenger transportation systems are exempt from the special fuel tax. Urban passenger transportation system means every publicly or privately-owned transportation system that has passenger fares as its principal source of revenue, transports passengers in vehicles with a seating capacity of more than 15 people, and travels over routes

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that do not extend more than 25 road miles beyond the corporate limits of the county in which the trip originated.

Generally, public transportation systems are considered urban passenger transportation systems. However, passenger fares are typically not the principal source of revenue for a public transportation system and some public transportation systems operate or contract with other service providers to operate service that extends more than 25 road miles beyond the county boundary in which the trip originated.

**Summary of Bill (Recommended Amendments):** Every publicly-owned and operated urban transportation system is exempt from the special fuel tax. A publicly-owned and operated urban passenger transportation system is defined to include public transportation benefit areas, metropolitan municipal corporations, city-owned transit systems, county public transportation authorities, unincorporated transportation benefit areas, and regional transit authorities.

The definition of urban passenger transportation system is modified to address publicly-owned and privately-owned systems separately. To be exempt from the special fuel tax, privately-owned systems must have passenger fares as the principal source of revenue, must transport passengers in vehicles with a seating capacity of more than 15 people, and must not transport passengers on routes that extend more than 25 road miles beyond the boundary of the county in which the trip originated. Publicly-owned and operated urban transportation systems are not subject to these requirements to be exempt from the special fuel tax.

**EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (Recommended Amendments):** A reference to regional transportation authorities is changed to regional transit authorities.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute House Bill:** PRO: Most transit agencies are exempt from the special fuel tax without any questions or confusion. However, some transit agencies routinely travel more than 25 miles outside of the county in which the trip originated. This is an issue for Sound Transit and some rural transit agencies. It is expensive for the transit agencies to keep records of all trips over the mile limit.

**Persons Testifying:** PRO: Michael Shaw, Washington Transit Association; Melanie Smith, Sound Transit.